

*Spring Lake Township*  
*Ottawa County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2008*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Spring Lake Township**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of Spring Lake Township's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Township's total net assets increased by \$160,601 (1 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$511,930, whereas net assets of the business-type activities decreased by \$351,326.
- Of the \$18,661,912 total net assets reported, \$4,340,858 (23 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,296,151 which represents 62 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The Township's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds, as well as additional information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
  - Governmental fund statements explain how general government services, like public safety, were financed in the short-term, as well as what balance remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
  - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2008 and 2007 is also presented.

**Spring Lake Township**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Government-wide financial statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire protection and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here.

**Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like perpetual care of the cemetery) or to show that it is properly using certain taxes and other revenues (like property taxes collected to pay the bonds that financed the construction of bike paths).

The Township has three kinds of funds:

1. *Governmental funds.* Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

**Spring Lake Township**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

2. *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$18,661,912, an increase of \$160,604 compared to the prior year. Of this total, \$13,340,442 is invested in capital assets, net of related debt and \$980,612 is restricted for various purposes. Consequently, unrestricted net assets were \$4,340,858, or 23 percent of the total.

Condensed financial information  
**Net Assets**

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 2,438,553	\$ 2,252,957	\$ 3,253,289	\$ 4,543,301	\$ 5,691,842	\$ 6,796,258
Capital assets	<u>5,564,845</u>	<u>5,440,216</u>	<u>13,146,128</u>	<u>12,635,255</u>	<u>18,710,973</u>	<u>18,075,471</u>
Total assets	<u>8,003,398</u>	<u>7,693,173</u>	<u>16,399,417</u>	<u>17,178,556</u>	<u>24,402,815</u>	<u>24,871,729</u>
Long-term debt	1,535,000	1,730,000	3,835,531	22,868	5,370,531	1,752,868
Other liabilities	<u>161,790</u>	<u>168,495</u>	<u>208,582</u>	<u>4,426,190</u>	<u>370,372</u>	<u>4,594,685</u>
Total liabilities	<u>1,696,790</u>	<u>1,898,495</u>	<u>4,044,113</u>	<u>4,449,058</u>	<u>5,740,903</u>	<u>6,347,553</u>
Net assets:						
Invested in capital assets, net of related debt	4,029,846	3,710,216	9,310,597	8,346,664	13,340,442	12,056,880
Restricted	<u>980,612</u>	<u>876,095</u>	-	-	<u>980,612</u>	<u>876,095</u>
Unrestricted	<u>1,296,151</u>	<u>1,208,367</u>	<u>3,044,707</u>	<u>4,359,966</u>	<u>4,340,858</u>	<u>5,568,333</u>
Total net assets	<u>\$ 6,306,608</u>	<u>\$ 5,794,678</u>	<u>\$ 12,355,304</u>	<u>\$ 12,706,630</u>	<u>\$ 18,661,912</u>	<u>\$ 18,501,308</u>

**Spring Lake Township**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (Continued)**

**Changes in net assets.** The Township's total revenues are \$5,586,249. Nearly 50 percent of the Township's revenues come from charges for services and 25 percent come from property taxes.

The total cost of all the Township's programs, covering a wide range of services, totaled \$5,425,645. Nearly 55 percent of the Township's costs relate to the provision of utility services. General government public safety costs each account for 12 percent of the Township's total costs.

Condensed financial information  
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Program revenues:						
Charges for services	\$ 545,962	\$ 537,358	\$ 2,245,182	\$ 2,450,689	\$ 2,791,144	\$ 2,988,047
Operating grants and contributions	8,459	16,682	-	-	8,459	16,682
Capital grants and contributions	10,805	360,531	231,834	-	242,639	360,531
General revenues:						
Property taxes	1,395,348	1,110,433	-	-	1,395,348	1,110,433
State shared revenue	725,134	721,449	-	-	725,134	721,449
Unrestricted interest	114,937	129,967	153,527	187,447	268,464	317,414
Miscellaneous	155,061	159,381	-	-	155,061	159,381
	<u>2,955,706</u>	<u>3,035,801</u>	<u>2,630,543</u>	<u>2,638,136</u>	<u>5,586,249</u>	<u>5,673,937</u>
Expenses:						
Legislative	17,521	-	-	-	17,521	-
General government	629,624	620,482	-	-	629,624	620,482
Public safety	654,223	717,948	-	-	654,223	717,948
Public works	137,216	217,544	-	-	137,216	217,544
Community and economic development	206,692	269,989	-	-	206,692	269,989
Health and welfare	160,101	-	-	-	160,101	-
Recreation and culture	566,896	351,841	-	-	566,896	351,841
Interest	48,469	56,955	-	-	48,469	56,955
Sewer	-	-	1,085,922	1,154,179	1,085,922	1,154,179
Water	-	-	1,895,947	1,781,608	1,895,947	1,781,608
Special item	23,034	-	-	-	23,034	-
Total expenses	<u>2,443,776</u>	<u>2,234,759</u>	<u>2,981,869</u>	<u>2,935,787</u>	<u>5,425,645</u>	<u>5,170,546</u>
Increase (decrease) in net assets	<u>\$ 511,930</u>	<u>\$ 801,042</u>	<u>\$ (351,326)</u>	<u>\$ (297,651)</u>	<u>\$ 160,604</u>	<u>\$ 503,391</u>

**Governmental activities.** Governmental activities increased the Township's net assets by \$511,930 compared to a \$801,042 increase in the prior year. Net assets increased in both years because governmental revenues were sufficient to cover all governmental expenses. The increase in net assets was higher in the prior year due to the recognition of a \$360,531 capital grant that helped finance the cost of bike path improvements that were capitalized.

**Spring Lake Township**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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The cost of all governmental activities this year was \$2,420,742 (exclusive of the special item of \$23,034). After subtracting the direct charges to those who directly benefited from the programs (\$545,962), and operating and capital grants (\$19,264), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$1,855,516.

**Business-type activities.** Business-type activities decreased the Township's net assets by \$351,326. The Sewer and Water Funds generated a net decrease of \$155,143 and \$196,183, respectively, because user charges are not currently set to cover all the operating costs, including depreciation, of the Township's water and wastewater systems.

### **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

**Governmental funds.** As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,292,563, an increase of \$190,601 in comparison with the prior year.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1,296,151, which represents 62 percent of the actual total General Fund expenditures for the current fiscal year. Total fund balance increased by \$87,784 because increases in property tax and interest revenues outpaced increases in expenditures.

The Bike Path Fund experienced an increase in fund balance of \$94,247. The increase occurred because property tax revenues were more than sufficient to cover debt service costs in the current year.

**Proprietary funds.** The Sewer Fund experienced a decrease in net assets of \$155,143 for reasons explained above. Total net assets are \$7,121,922 at year end of which \$1,419,208 is unrestricted.

The Water Fund experienced a decrease in net assets of \$196,183 for reasons explained above. Total net assets are \$5,233,382 at year end of which \$1,625,499 is unrestricted.

### **General Fund budgetary highlights**

Total budgeted expenditures were increased by \$237,780 during the year to reflect various anticipated cost increases. The most significant increase was a \$350,000 increase in the budget for capital outlay expenditures related to the acquisition of a fire truck.

Revenues were \$8,070 more than anticipated while expenditures were \$241,951 less than the amounts appropriated. Revenues related to charges for services were \$80,171 lower than anticipated because building permits were less than expected. Expenditures were significantly lower than anticipated in two functional categories. Certain capital purchases were postponed or eliminated causing capital outlay expenditures to be \$80,858 less than anticipated and community and economic development costs, primarily professional services, were \$100,428 less than anticipated.

These variances resulted in a \$250,021 net positive budget variance and an \$87,784 increase in fund balance compared to a budgeted decrease of \$162,237.



**Spring Lake Township**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Capital assets and debt administration**

*Capital assets.*

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounts to \$18,710,973 (net of accumulated depreciation). Governmental capital assets amount to \$5,564,845 and business-type capital assets totaled \$13,146,128. These investments include a broad range of assets including equipment, buildings, and sewer and water infrastructure. The net increase in the Township's net investment in capital assets for the current fiscal year was \$635,502.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Land	\$ 693,481	\$ 5,900	\$ 699,381
Infrastructure	85,427	12,191,526	12,276,953
Land improvements	3,488,775		3,488,775
Buildings and improvements	338,222	223,461	561,683
Machinery and equipment	958,940	725,241	1,684,181
Totals	<u>\$ 5,564,845</u>	<u>\$ 13,146,128</u>	<u>\$ 18,710,973</u>

Major capital asset events during the current fiscal year included the following:

- Capital improvement projects to replace utility lines and resurface streets totaled \$1,000,488
- A fire pumper was purchased for \$326,767 while another pumper was sold for \$21,400.
- A truck was purchased for \$40,797.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

*Long-term debt.*

At the end of the fiscal year, the Township had total long-term bonds and notes outstanding in the amount of \$5,370,531 which represents a decrease of \$625,192 or 10.4 percent.

More detailed information about the Township's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

**Spring Lake Township**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Economic condition and outlook**

The economy for Spring Lake Township is looking better than what has been the norm for the State of Michigan as a whole. Unemployment in the area is 7.7% (July 2008) as compared to the State overall at 8.5%.

There will be several sizable expansions within the Township in the coming year, including Meridian, Inc. (the Township's largest taxpayer), Sintel, Michigan Adhesive, and Supreme Machined Products. One of the largest expansions belongs to Almond Products which is in the process of constructing \$10 million in additions while expecting to generate 50 jobs within the area. These expansions not only help the citizens of the Township through job creation, but benefit the Township's tax base as well.

The Township's budget for 2008-09 called for minimal change in the overall property tax rate. As with most local governments in Michigan, a reduction in state shared revenues continues to be challenging.

For fiscal year 2008-09, the Township continues its aggressive approach in maintaining and constructing bike paths in the area for its residents. Replacing blue-pipe water mains is also a continuing major project.

**Contacting the Township's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Dan Visser, Finance Director/Deputy Treasurer  
Spring Lake Township  
106 South Buchanan  
Spring Lake, MI 49456

Phone: (616) 844-2113  
E-mail: [dvisser@springlaketwp.org](mailto:dvisser@springlaketwp.org)

## INDEPENDENT AUDITORS' REPORT

Township Board of Trustees  
Spring Lake Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spring Lake Township, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise Spring Lake Township, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of Spring Lake Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spring Lake Township, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Siegfried Crandall P.C.*

September 10, 2008



1958-2008

## **BASIC FINANCIAL STATEMENTS**

**Spring Lake Township**  
**STATEMENT OF NET ASSETS**  
*March 31, 2008*

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 2,089,495	\$ 2,044,226	\$ 4,133,721
Investments	-	201,660	201,660
Receivables	327,358	510,431	837,789
Prepaid expenses	21,700	19,790	41,490
	<u>2,438,553</u>	<u>2,776,107</u>	<u>5,214,660</u>
Total current assets			
Noncurrent assets:			
Receivables	-	398,496	398,496
Unamortized bond issuance costs	-	78,686	78,686
Land	693,481	5,900	699,381
Depreciable capital assets, net	4,871,364	13,140,228	18,011,592
	<u>5,564,845</u>	<u>13,623,310</u>	<u>19,188,155</u>
Total noncurrent assets			
Total assets	<u>8,003,398</u>	<u>16,399,417</u>	<u>24,402,815</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	161,790	208,582	370,372
Bonds payable	200,000	472,546	672,546
	<u>361,790</u>	<u>681,128</u>	<u>1,042,918</u>
Total current liabilities			
Noncurrent liabilities - bonds payable	<u>1,335,000</u>	<u>3,362,985</u>	<u>4,697,985</u>
	<u>1,696,790</u>	<u>4,044,113</u>	<u>5,740,903</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,029,845	9,310,597	13,340,442
Restricted for:			
Perpetual care	309,542	-	309,542
Public works	67,759	-	67,759
Debt service	475,129	-	475,129
Capital projects	128,182	-	128,182
Unrestricted	1,296,151	3,044,707	4,340,858
	<u>6,306,608</u>	<u>12,355,304</u>	<u>18,661,912</u>
Total net assets			

*See notes to the financial statements*

**Spring Lake Township**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2008

Functions /Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 17,521	\$ -	\$ -	\$ -
General government	629,624	350,284	-	-
Public safety	654,223	186,395	-	10,805
Public works	137,216	-	7,459	-
Community and economic development	206,692	7,573	-	-
Health and welfare	160,101	-	-	-
Recreation and culture	566,896	1,710	1,000	-
Interest on long-term debt	48,469	-	-	-
<b>Total governmental activities</b>	<u>2,420,742</u>	<u>545,962</u>	<u>8,459</u>	<u>10,805</u>
Business-type activities:				
Sewer	1,085,922	675,426	-	180,581
Water	<u>1,895,947</u>	<u>1,475,778</u>	<u>-</u>	<u>142,148</u>
<b>Total business-type activities</b>	<u>2,981,869</u>	<u>2,151,204</u>	<u>-</u>	<u>322,729</u>
<b>Totals</b>	<u>\$ 5,402,611</u>	<u>\$ 2,697,166</u>	<u>\$ 8,459</u>	<u>\$ 333,534</u>

General revenues:

Property taxes

State shared revenue

Unrestricted interest

Franchise fees

Special item - loss on sale of capital asset

Total

Change in net assets

Net assets - beginning

Net assets - ending

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**Net (expenses) revenues and changes in net assets**

<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (17,521)		\$ (17,521)
(279,340)		(279,340)
(457,023)		(457,023)
(129,757)		(129,757)
(199,119)		(199,119)
(160,101)		(160,101)
(564,186)		(564,186)
<u>(48,469)</u>		<u>(48,469)</u>
 (1,855,516)		 (1,855,516)
	\$ (229,915)	(229,915)
	<u>(278,021)</u>	<u>(278,021)</u>
	 (507,936)	 (507,936)
 (1,855,516)	 (507,936)	 (2,363,452)
 1,395,348	-	1,395,348
725,134	-	725,134
114,937	156,610	271,547
155,061	-	155,061
<u>(23,034)</u>	<u>-</u>	<u>(23,034)</u>
 2,367,446	 156,610	 2,524,056
 511,930	 (351,326)	 160,604
 5,794,678	 12,706,630	 18,501,308
 <u>\$ 6,306,608</u>	 <u>\$ 12,355,304</u>	 <u>\$ 18,661,912</u>

See notes to the financial statements

Spring Lake Township  
**BALANCE SHEET - governmental funds**  
 March 31, 2008

	<u>Major funds</u>		<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Bike Path</u>		
<b>ASSETS</b>				
Cash	\$ 1,130,278	\$ 469,228	\$ 489,989	\$ 2,089,495
Receivables	277,873	21,701	27,784	327,358
Due from other funds	-	-	10,080	10,080
Prepaid insurance	21,700	-	-	21,700
Total assets	<u>\$ 1,429,851</u>	<u>\$ 490,929</u>	<u>\$ 527,853</u>	<u>\$ 2,448,633</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 123,620	\$ -	\$ 22,370	\$ 145,990
Due to other funds	10,080	-	-	10,080
Total liabilities	<u>133,700</u>	<u>-</u>	<u>22,370</u>	<u>156,070</u>
Fund balances:				
Unreserved	1,296,151	490,929	-	1,787,080
Unreserved, reported in nonmajor special revenue funds	-	-	505,483	505,483
Total fund balances	<u>1,296,151</u>	<u>490,929</u>	<u>505,483</u>	<u>2,292,563</u>
Total liabilities and fund balances	<u>\$ 1,429,851</u>	<u>\$ 490,929</u>	<u>\$ 527,853</u>	<u>\$ 2,448,633</u>

Total fund balances - total governmental funds \$ 2,292,563

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 5,564,845

Interest payable is not due in the current period and is not reported in the funds. (15,800)

Bonds payable are not due and payable in the current period and are not reported in the funds. (1,535,000)

Net assets of *governmental activities* (page 4) \$ 6,306,608

See notes to the financial statements



**Spring Lake Township****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<b>Major funds</b>		<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
	<b>General</b>	<b>Bike Path</b>		
<b>REVENUES</b>				
Property taxes	\$ 888,565	\$ 330,552	\$ 418,167	\$ 1,637,284
Licenses and permits	328,482	-	-	328,482
State grants	733,593	-	-	733,593
Charges for services	98,529	-	9,240	107,769
Fines and forfeitures	415	-	-	415
Interest	79,810	8,864	26,263	114,937
Other	54,626	-	-	54,626
Total revenues	<u>2,184,020</u>	<u>339,416</u>	<u>453,670</u>	<u>2,977,106</u>
<b>EXPENDITURES</b>				
Legislative	17,521	-	-	17,521
General government	622,651	-	-	622,651
Public safety	588,636	-	-	588,636
Public works	87,585	-	121,193	208,778
Community and economic development	206,692	-	-	206,692
Health and welfare	-	-	160,101	160,101
Recreation and culture	181,949	-	145,544	327,493
Capital outlay	391,202	-	18,262	409,464
Debt service:			-	
Principal	-	195,000	-	195,000
Interest	-	50,169	-	50,169
Total expenditures	<u>2,096,236</u>	<u>245,169</u>	<u>445,100</u>	<u>2,786,505</u>
<b>NET CHANGE IN FUND BALANCES</b>	87,784	94,247	8,570	190,601
<b>FUND BALANCES - BEGINNING</b>	<u>1,208,367</u>	<u>396,682</u>	<u>496,913</u>	<u>2,101,962</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,296,151</u>	<u>\$ 490,929</u>	<u>\$ 505,483</u>	<u>\$ 2,292,563</u>

See notes to the financial statements

**Spring Lake Township**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - *governmental funds* (Continued)**

*Year ended March 31, 2008*

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Net change in fund balances - total governmental funds	\$ 190,601
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Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation.

Add: Capital asset acquisitions	477,282
Deduct:	
Provision for depreciation	(308,219)
Net capital asset disposals	(44,434)

Long-term debt - principal repayments	195,000
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Changes in other liabilities:

Net decrease in accrued interest payable	<u>1,700</u>
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Change in net assets of <i>governmental activities</i> (page 5)	<u>\$ 511,930</u>
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**Spring Lake Township**  
**STATEMENT OF NET ASSETS - proprietary funds**  
*March 31, 2008*

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,093,621	\$ 950,605	\$ 2,044,226
Investments	-	201,660	201,660
Receivables	184,285	326,146	510,431
Prepaid and other assets	<u>9,895</u>	<u>9,895</u>	<u>19,790</u>
Total current assets	<u>1,287,801</u>	<u>1,488,306</u>	<u>2,776,107</u>
Noncurrent assets:			
Receivables	201,346	197,150	398,496
Unamortized bond issuance costs	-	78,686	78,686
Land	5,900	-	5,900
Depreciable capital assets, net	<u>6,316,814</u>	<u>6,823,414</u>	<u>13,140,228</u>
Total noncurrent assets	<u>6,524,060</u>	<u>7,099,250</u>	<u>13,623,310</u>
Total assets	<u>7,811,861</u>	<u>8,587,556</u>	<u>16,399,417</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	69,939	138,643	208,582
Bonds payable	<u>40,000</u>	<u>432,546</u>	<u>472,546</u>
Total current liabilities	109,939	571,189	681,128
Noncurrent liabilities - bonds payable	<u>580,000</u>	<u>2,782,985</u>	<u>3,362,985</u>
Total liabilities	<u>689,939</u>	<u>3,354,174</u>	<u>4,044,113</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,702,714	3,607,883	9,310,597
Unrestricted	<u>1,419,208</u>	<u>1,625,499</u>	<u>3,044,707</u>
Total net assets	<u>\$ 7,121,922</u>	<u>\$ 5,233,382</u>	<u>\$ 12,355,304</u>

See notes to the financial statements

**Spring Lake Township****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - *proprietary funds****Year ended March 31, 2008*

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 644,357	\$ 1,436,122	\$ 2,080,479
Other	<u>31,069</u>	<u>39,656</u>	<u>70,725</u>
Total operating revenues	<u>675,426</u>	<u>1,475,778</u>	<u>2,151,204</u>
<b>OPERATING EXPENSES</b>			
Salaries	98,760	186,663	285,423
Fringe benefits	50,703	90,282	140,985
Operating supplies	16,027	44,013	60,040
Sewage treatment	421,189	-	421,189
Water distribution	-	673,707	673,707
Administration	89,469	101,954	191,423
Professional services	11,308	122,189	133,497
Repairs and maintenance	36,288	12,385	48,673
Insurance	10,400	7,428	17,828
Utilities	46,019	23,447	69,466
Depreciation	<u>273,731</u>	<u>478,354</u>	<u>752,085</u>
Total operating expenses	<u>1,053,894</u>	<u>1,740,422</u>	<u>2,794,316</u>
<b>OPERATING LOSS</b>	<u>(378,468)</u>	<u>(264,644)</u>	<u>(643,112)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Connection fees	158,227	120,756	278,983
Interest revenue	74,772	81,838	156,610
Special assessments	22,354	21,392	43,746
Interest expense	<u>(32,028)</u>	<u>(155,525)</u>	<u>(187,553)</u>
Total nonoperating revenues	<u>223,325</u>	<u>68,461</u>	<u>291,786</u>
<b>CHANGE IN NET ASSETS</b>	<u>(155,143)</u>	<u>(196,183)</u>	<u>(351,326)</u>
<b>NET ASSETS - BEGINNING</b>	<u>7,277,065</u>	<u>5,429,565</u>	<u>12,706,630</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 7,121,922</u>	<u>\$ 5,233,382</u>	<u>\$ 12,355,304</u>

*See notes to the financial statements*

**Spring Lake Township**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended March 31, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 668,646	\$ 1,496,588	\$ 2,165,234
Payments to suppliers	(689,669)	(1,048,992)	(1,738,661)
Payments to employees	(98,760)	(186,663)	(285,423)
Net cash provided by (used in) operating activities	(119,783)	260,933	141,150
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Collection of special assessment principal	42,987	8,511	51,498
Collection on notes receivable	-	10,588	10,588
Connection fees	158,227	120,756	278,983
Acquisition of capital assets	(534,590)	(511,371)	(1,045,961)
Principal payments on capital debt	(40,000)	(413,061)	(453,061)
Interest payments on capital debt	(32,228)	(128,554)	(160,782)
Net cash used in capital and related financing activities	(405,604)	(913,131)	(1,318,735)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	-	(201,660)	(201,660)
Interest received	82,153	95,255	177,408
Net cash provided by (used in) investing activities	82,153	(106,405)	(24,252)
<b>NET DECREASE IN CASH</b>	(443,234)	(758,603)	(1,201,837)
<b>CASH - BEGINNING</b>	1,536,855	1,709,208	3,246,063
<b>CASH - ENDING</b>	\$ 1,093,621	\$ 950,605	\$ 2,044,226

See notes to the financial statements

**Spring Lake Township**

**STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)**

*Year ended March 31, 2008*

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	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>			
Operating loss	\$ (378,468)	\$ (264,644)	\$ (643,112)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	273,731	478,354	752,085
(Increase) decrease in receivables	(6,780)	20,810	14,030
Increase (decrease) in payables	<u>(8,266)</u>	<u>26,413</u>	<u>18,147</u>
 Net cash provided by (used in) operating activities	 <u>\$ (119,783)</u>	 <u>\$ 260,933</u>	 <u>\$ 141,150</u>

*See notes to the financial statements*

**Spring Lake Township**

**STATEMENT OF FIDUCIARY NET ASSETS - *agency fund***

*March 31, 2008*

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**ASSETS**

Cash	<u>\$ 182,860</u>
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**LIABILITIES**

Due to other governmental units:

Spring Lake Public Schools	67,181
Muskegon Intermediate School District	49,795
Ottawa County	33,021
Ottawa Intermediate School District	12,322
Spring Lake Library	7,000
Grand Haven Public Schools	3,799
Fruitport Public Schools	<u>295</u>

173,413

Due to other funds	<u>9,447</u>
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Total liabilities	<u><u>\$ 182,860</u></u>
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**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of Spring Lake Township, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.



**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Bike Path Fund accounts for financial resources to be used to purchase capital additions, improvements, or betterments. Revenues are derived primarily from property taxes.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is typically the Township's policy to use restricted resources first, and then unrestricted resources as they are needed. With regard to the Cemetery Endowment Fund, the Township is accumulating restricted resources for the long-term maintenance of the Township's cemetery. The Township intends to accumulate \$500,000 in this fund before any of its resources are used to pay cemetery maintenance costs. When a fund balance of \$500,000 has been attained, the Township plans to use ten percent of the fund's interest earnings to pay cemetery maintenance costs.

*d) Assets, liabilities, and net assets or equity:*

*i) Cash and investments* - Cash is considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

All investments are reported at fair market value, with changes in value recognized in the operating statement of each fund. Realized and unrealized gains and losses are included in investment income. Pooled investment income is proportionately allocated to all funds.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements and the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs, sewer and water systems, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Spring Lake Township  
NOTES TO FINANCIAL STATEMENTS (Continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iv) *Capital assets* - Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Shared road costs	15 - 20 years
Bike paths	15 - 20 years
Machinery and equipment	5 - 20 years
Vehicles	4 - 30 years
Sewer and water systems	30 - 50 years

v) *Compensated absences* - Township employees earn vacation and sick leave in varying amounts based on length of service. Vacation time of up to one week can be carried over, but unused sick leave does not accumulate past March 31 of each fiscal year. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. There were no significant budget variances during the current fiscal year.

**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH AND INVESTMENTS:**

At March 31, 2008, cash and investments are classified in the accompanying financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Governmental activities:				
Cash	\$ 2,089,495	\$ 2,044,226	\$ 182,860	\$ 4,316,581
Investments	-	201,660	-	201,660
 Total	 <u>\$ 2,089,495</u>	 <u>\$ 2,245,886</u>	 <u>\$ 182,860</u>	 <u>\$ 4,518,241</u>

At March 31, 2008, cash and investments consist of the following:

Deposits with financial institutions	\$ 4,316,581
Investments	<u>201,660</u>
 Total	 <u>\$ 4,518,241</u>

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. At March 31, 2008, the Township held \$240,527 of deposits in financial institutions located outside the State of Michigan. Subsequent to year end, the Township liquidated these holdings and placed such monies with financial institutions that maintain an office in the State of Michigan.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of March 31, 2008, \$3,283,404 of the Township's bank balances of \$4,335,579 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

*Investments:*

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments.

**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH AND INVESTMENTS (Continued):**

The Township's investments are subject to several types of risk, which are discussed below:

*Custodial credit risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Township's investment policy does not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the following investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Township:

<u>Investment type</u>	<u>Carrying amount</u>
U.S. government and agency securities	<u>\$ 201,660</u>

*Interest rate risk.* Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Township's investment policy has no specific limitations with respect to maturities of investments. At year end, the average maturities of the Township's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Average maturity (in years)</u>
U. S. government and agency securities:		
Federal National Mortgage Association	<u>\$201,660</u>	0.21

*Credit risk.* Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. At year end, the credit quality ratings of the Township's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating organization</u>
U.S. government and agency securities:			
Federal National Mortgage Association	\$ 201,660	AAA	S&P

**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH AND INVESTMENTS (Continued):**

*Concentration of credit risk.* The Township's investment policy places no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the Township's total investment are as follows:

<u>Issuer</u>	<u>Fair value</u>	<u>Percentage</u>
U.S. government agency:		
Federal National Mortgage Association	\$ 201,660	100%

**NOTE 4 - RECEIVABLES:**

At March 31, 2008, the Township's receivables are as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Assessments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental funds:					
General Fund	\$ 54,864	\$ 106,943	\$ -	\$ 116,066	\$ 277,873
Bike Path Fund	21,701	-	-	-	21,701
Nonmajor governmental funds	27,784	-	-	-	27,784
Total governmental funds	<u>\$ 104,349</u>	<u>\$ 106,943</u>	<u>\$ -</u>	<u>\$ 116,066</u>	<u>\$ 327,358</u>
Proprietary funds:					
Sewer Fund	\$ -	\$ 184,285	\$ 201,346	\$ -	\$ 385,631
Water Fund	-	270,313	55,833	197,150	523,296
Total proprietary funds	<u>\$ -</u>	<u>\$ 454,598</u>	<u>\$ 257,179</u>	<u>\$ 197,150</u>	<u>\$ 908,927</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,346</u>	<u>\$ 197,150</u>	<u>\$ 398,496</u>

All receivables are considered fully collectible.

**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 693,481	\$ -	\$ -	\$ 693,481
Capital assets being depreciated:				
Infrastructure	-	85,785	-	85,785
Land improvements	5,657,132	-	-	5,657,132
Buildings and improvements	1,061,970	-	-	1,061,970
Machinery and equipment	1,231,098	391,497	(224,400)	1,398,195
Subtotal	7,950,200	477,282	(224,400)	8,203,082
Less accumulated depreciation for:				
Infrastructure	-	(358)	-	(358)
Land improvements	(1,950,907)	(217,450)	-	(2,168,357)
Buildings and improvements	(697,586)	(26,162)	-	(723,748)
Machinery and equipment	(554,972)	(64,249)	179,966	(439,255)
Subtotal	(3,203,465)	(308,219)	179,966	(3,331,718)
Total capital assets being depreciated, net	4,746,735	169,063	(44,434)	4,871,364
Governmental activities capital assets, net	\$ 5,440,216	\$ 169,063	\$ (44,434)	\$ 5,564,845

**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS (Continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 5,900	\$ -	\$ -	\$ 5,900
Capital assets being depreciated:				
Buildings	248,811	34,660	-	283,471
Machinery and equipment	1,532,468	96,598	(7,710)	1,621,356
Sewer system	9,682,203	517,780	-	10,199,983
Water system	11,671,996	396,923	-	12,068,919
Subtotal	23,135,478	1,045,961	(7,710)	24,173,729
Less accumulated depreciation for:				
Buildings	(51,712)	(8,298)	-	(60,010)
Machinery and equipment	(730,807)	(173,018)	7,710	(896,115)
Sewer system	(3,721,499)	(267,697)	-	(3,989,196)
Water system	(5,785,108)	(303,072)	-	(6,088,180)
Subtotal	(10,289,126)	(752,085)	7,710	(11,033,501)
Total capital assets being depreciated, net	12,846,352	293,876	-	13,140,228
Business-type activities capital assets, net	\$ 12,852,252	\$ 293,876	\$ -	\$ 13,146,128

Depreciation expense was charged to the Township's governmental functions as follows:

Governmental activities:	
General government	\$ 6,973
Public safety	68,228
Public works	14,223
Recreation and culture	218,795
Total governmental activities	\$ 308,219



**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - PAYABLES:**

At March 31, 2008, the payables of the Township's funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental funds:				
General	\$ 89,449	\$ 34,171	\$ -	\$ 123,620
Nonmajor governmental	<u>22,370</u>	<u>-</u>	<u>-</u>	<u>22,370</u>
Totals	<u>\$ 111,819</u>	<u>\$ 34,171</u>	<u>\$ -</u>	<u>\$ 145,990</u>
Proprietary funds:				
Sewer	\$ 63,981	\$ 3,458	\$ 2,500	\$ 69,939
Water	<u>94,921</u>	<u>6,422</u>	<u>37,300</u>	<u>138,643</u>
Totals	<u>\$ 158,902</u>	<u>\$ 9,880</u>	<u>\$ 39,800</u>	<u>\$ 208,582</u>

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES:**

At March 31, 2008, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Nonmajor governmental	<u>\$ 10,080</u>	General	<u>\$ 10,080</u>

The amount payable to the nonmajor governmental fund resulted from a time lag between the dates that interfund services were provided and payments between funds are made.

**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - LONG-TERM OBLIGATIONS:**

At March 31, 2008, long-term obligations are comprised of the following individual issues:

Governmental activities:

Bonds:

\$2,105,000 2005 General obligation limited tax bonds - payable in annual installments ranging from \$185,000 to \$240,000 plus interest at 2.500% - 3.375%; final payment due June 2014	<u>\$ 1,535,000</u>
--	---------------------

Business-type activities:

Bonds:

\$2,436,470 1998 Ottawa County water supply system refunding bonds - payable in annual installments ranging from \$69,537 to \$251,403, plus interest at 3.60% to 4.70%; final payment due October 2010	\$ 767,583
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\$900,000 1999 Ottawa County wastewater collection system bonds - payable in annual installments ranging from \$25,000 to \$75,000, plus interest at 4.70% to 5.05%; final payment due March 2019	620,000
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\$810,000 2001 Ottawa County water supply system refunding bonds - payable in annual installments ranging from \$25,000 to \$65,000, plus interest at 3.00% to 4.55%; final payment due January 2015	440,000
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\$1,266,389 2001 Ottawa County water supply system improvement bonds - payable in annual installments ranging from \$26,708 to \$133,538, plus interest at 4.625% to 5.200%; final payment due May 2021	1,132,850
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\$439,937 2005 Northwest Ottawa water supply system improvement bonds - payable in annual installments ranging from \$22,219 to \$48,882, plus interest at 3.05% to 4.25%; final payment due May 2020	417,718
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\$586,971 2005 Ottawa County water supply system refunding bonds - payable in annual installments ranging from \$63,525 to \$68,607, plus interest at 3.50% to 4.00%; final payment due January 2015	<u>457,380</u>
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Total business-type activities long-term obligations	<u>\$ 3,835,531</u>
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**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS (Continued):**

Long-term obligation activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
2005 General obligation bonds	\$ 1,730,000	\$ -	\$ (195,000)	\$ 1,535,000	\$ 200,000
Business-type activities:					
1998 Ottawa County refunding bonds	\$ 1,032,359	\$ -	\$ (264,776)	\$ 767,583	\$ 259,426
1999 Ottawa County wastewater bonds	660,000	-	(40,000)	620,000	40,000
2001 Ottawa County refunding bonds	500,000	-	(60,000)	440,000	60,000
2001 Ottawa County improvement bonds	1,132,850	-	-	1,132,850	44,513
2005 Northwest Ottawa improvement bonds	439,937	-	(22,219)	417,718	-
2005 Ottawa County refunding bonds	523,446	-	(66,066)	457,380	68,607
Total business-type activities	\$ 4,288,592	\$ -	\$ (453,061)	\$ 3,835,531	\$ 472,546

At March 31, 2008, debt service requirements were as follows:

<u>Year ended March 31,</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 200,000	\$ 44,513	\$ 472,546	\$ 190,379
2010	205,000	38,687	503,764	168,320
2011	210,000	32,463	500,325	145,660
2012	220,000	26,012	265,596	122,322
2013	225,000	19,225	269,728	109,826
2014 - 2018	475,000	15,969	1,143,425	353,202
2019 - 2022	-	-	680,147	76,370
Totals	\$ 1,535,000	\$ 176,869	\$ 3,835,531	\$ 1,166,079

All debt is secured by the full faith and credit of the Township.

**Spring Lake Township**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 9 - JOINT VENTURES:**

The Township is a member of the Grand Haven - Spring Lake Sewer Authority (the Authority). The purpose of the Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and the County of Ottawa) pay a set rate to the Authority to process waste. In the current year, the Township paid \$434,650 to the Authority for sewage treatment. Complete financial statements can be obtained at the Grand Haven City Hall (519 Washington Street).

The Township is also a member of the Northwest Ottawa Water Treatment Plant (NOWS). The purpose of NOWS is to acquire, construct, finance, operate, and maintain a water production facility. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and the County of Ottawa) pay for water at a rate that is estimated to cover operation, maintenance, replacement, and debt service. In the current year, the Township paid \$673,707 to the plant to purchase water. Complete financial statements can be obtained at the Grand Haven City Hall (519 Washington Street).

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLANS:**

The Township has a defined contribution pension plan covering qualified employees in which the Township is required to contribute 10% of the employees' gross wages. Participating employees may contribute up to 10% of gross wages. Total contributions by the Township for the year ended March 31, 2008 were \$64,000.

The Township Fire Department has a separate pension plan which covers all participating firefighters. The plans benefits are based on length of service and also include a pre-retirement death and disability benefits. All required contributions are paid by the Township. Total contributions for the year ended March 31, 2008 were \$8,962.

**NOTE 11 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee medical claims. The risks of loss arising from general liability up to \$5,000,000, property losses, workers' compensation, and employee medical costs are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 12 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 170,022
Expenses	<u>198,659</u>
Deficiency of revenues over expenses	<u>\$ (28,637)</u>

**Spring Lake Township,**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 13 - SPECIAL ITEM:**

The Township sold capital assets with a net book value of \$44,434 for \$21,400, which resulted in a loss of \$23,034 during the fiscal year.

**NOTE 14 - PRIOR PERIOD ADJUSTMENTS:**

Prior period adjustments have been recorded in 2008 that resulted in restatements of net assets. Net assets as of April 1, 2007, included in the government-wide financial statements, represent restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Governmental activities</u>	<u>Business-type activities</u>
Beginning of year, as previously reported	\$ 5,775,847	\$ 12,680,694
Prior period adjustment:		
Understatement of cash	36,331	-
Understatement of receivables	-	48,804
Understatement of payables	(17,500)	-
Understatement of long-term obligations	-	(22,868)
Beginning of year, as restated	<u>\$ 5,794,678</u>	<u>\$ 12,706,630</u>

Prior period adjustments have been recorded in 2008 that resulted in restatements of fund equity. Fund equity as of April 1, 2007, included in the fund statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>General Fund Fund balance</u>	<u>Water Fund Net assets</u>
Beginning of year, as previously reported	\$ 1,061,920	\$ 5,403,629
Prior period adjustments:		
Reclassification of special revenue funds	110,116	
Understatement of cash	36,331	
Understatement of receivables	-	48,804
Understatement of long-term obligations	-	(22,868)
Beginning of year, as restated	<u>\$ 1,208,367</u>	<u>\$ 5,429,565</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**Spring Lake Township**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 840,600	\$ 840,600	\$ 888,565	\$ 47,965
Licenses and permits	342,050	342,050	328,482	(13,568)
State grants	732,500	732,500	733,593	1,093
Charges for services	178,700	178,700	98,529	(80,171)
Fines and forfeitures	500	500	415	(85)
Interest and rentals	49,500	49,500	79,810	30,310
Other	32,100	32,100	54,626	22,526
	<u>2,175,950</u>	<u>2,175,950</u>	<u>2,184,020</u>	<u>8,070</u>
Total revenues				
<b>EXPENDITURES</b>				
Legislative	17,920	17,920	17,521	399
General government	580,702	651,982	622,651	29,331
Public safety	624,600	624,600	588,636	35,964
Public works	143,100	86,600	87,585	(985)
Community and economic development	347,120	307,120	206,692	100,428
Recreation and culture	177,905	177,905	181,949	(4,044)
Capital outlay	159,060	472,060	391,202	80,858
Debt service - principal	50,000	-	-	-
	<u>2,100,407</u>	<u>2,338,187</u>	<u>2,096,236</u>	<u>241,951</u>
Total expenditures				
<b>NET CHANGE IN FUND BALANCES</b>	75,543	(162,237)	87,784	250,021
<b>FUND BALANCES - BEGINNING</b>	<u>1,208,367</u>	<u>1,208,367</u>	<u>1,208,367</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,283,910</u>	<u>\$ 1,046,130</u>	<u>\$ 1,296,151</u>	<u>\$ 250,021</u>

**Spring Lake Township****BUDGETARY COMPARISON SCHEDULE - Bike Path Fund**

Year ended March 31, 2008

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 323,500	\$ 323,500	\$ 330,552	\$ 7,052
Investment return and rentals	<u>5,050</u>	<u>5,050</u>	<u>8,864</u>	<u>3,814</u>
Total revenues	<u>328,550</u>	<u>328,550</u>	<u>339,416</u>	<u>10,866</u>
<b>EXPENDITURES</b>				
Recreation and culture	4,000	7,200	-	7,200
Debt service:				
Principal	195,000	195,000	195,000	-
Interest and fees	<u>50,250</u>	<u>50,250</u>	<u>50,169</u>	<u>81</u>
Total expenditures	<u>249,250</u>	<u>252,450</u>	<u>245,169</u>	<u>7,281</u>
<b>NET CHANGE IN FUND BALANCES</b>	79,300	76,100	94,247	18,147
<b>FUND BALANCES - BEGINNING</b>	<u>396,682</u>	<u>396,682</u>	<u>396,682</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 475,982</u>	<u>\$ 472,782</u>	<u>\$ 490,929</u>	<u>\$ 18,147</u>



## SUPPLEMENTARY INFORMATION

**Spring Lake Township**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
 March 31, 2008

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	<u><i>Bike Path Capital Projects</i></u>	<u><i>Street Lighting</i></u>	<u><i>Aging Council</i></u>	<u><i>Museum</i></u>
<b>ASSETS</b>				
Cash	\$ 128,182	\$ 62,345	\$ -	\$ -
Receivables	-	7,259	10,680	9,845
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 128,182</u>	<u>\$ 69,604</u>	<u>\$ 10,680</u>	<u>\$ 9,845</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities - payables	\$ -	\$ 1,845	\$ 10,680	\$ 9,845
Fund balances - unreserved	<u>128,182</u>	<u>67,759</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 128,182</u>	<u>\$ 69,604</u>	<u>\$ 10,680</u>	<u>\$ 9,845</u>

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<u>Cemetery Endowment</u>	<u>Total nonmajor governmental funds</u>
\$ 299,462	\$ 489,989
-	27,784
<u>10,080</u>	<u>10,080</u>
 \$ 309,542	 \$ 527,853
  \$ -	  \$ 22,370
<u>309,542</u>	<u>505,483</u>
 \$ 309,542	 \$ 527,853

**Spring Lake Township****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2008

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	<b><i>Bike Path Capital Projects</i></b>	<b><i>Street Lighting</i></b>	<b><i>Aging Council</i></b>	<b><i>Museum</i></b>
<b>REVENUES</b>				
Property taxes	\$ -	\$ 112,522	\$ 160,101	\$ 145,544
Charges for services	-	-	-	-
Interest	<u>6,544</u>	<u>1,432</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,544</u>	<u>113,954</u>	<u>160,101</u>	<u>145,544</u>
<b>EXPENDITURES</b>				
Public works	-	121,193	-	-
Health and welfare	-	-	160,101	-
Recreation and culture	-	-	-	145,544
Capital outlay	<u>18,262</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>18,262</u>	<u>121,193</u>	<u>160,101</u>	<u>145,544</u>
<b>NET CHANGE IN FUND BALANCES</b>	(11,718)	(7,239)	-	-
<b>FUND BALANCES - BEGINNING</b>	<u>139,900</u>	<u>74,998</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 128,182</u>	<u>\$ 67,759</u>	<u>\$ -</u>	<u>\$ -</u>

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<u>Cemetery Endowment</u>	<u>Total nonmajor governmental funds</u>
\$ -	\$ 418,167
9,240	9,240
<u>18,287</u>	<u>26,263</u>
 27,527	 453,670
 -	 121,193
-	160,101
-	145,544
<u>-</u>	<u>18,262</u>
 -	 445,100
 27,527	 8,570
<u>282,015</u>	<u>496,913</u>
 \$ 309,542	 \$ 505,483

## SUPPLEMENTARY DATA

**Spring Lake Township**

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$2,436,537 1998 OTTAWA COUNTY WATER SUPPLY SYSTEM REFUNDING BONDS**

March 31, 2008

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<u><i>Fiscal period</i></u>	<u><i>Maturity date</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total requirements</i></u>
2009	10/1/2008	\$ 259,427	\$ 35,431	\$ 294,858
2010	10/1/2009	256,752	23,627	280,379
2011	10/1/2010	<u>251,404</u>	<u>11,816</u>	<u>263,220</u>
		<u>\$ 767,583</u>	<u>\$ 70,874</u>	<u>\$ 838,457</u>

**Spring Lake Township**

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$990,000 1999 OTTAWA COUNTY WASTEWATER COLLECTION SYSTEM BONDS**

March 31, 2008

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<u><i>Fiscal period</i></u>	<u><i>Maturity date</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total requirements</i></u>
2009	3/1/2009	\$ 40,000	\$ 30,348	\$ 70,348
2010	3/1/2010	45,000	28,467	73,467
2011	3/1/2011	45,000	26,353	71,353
2012	3/1/2012	50,000	24,237	74,237
2013	3/1/2013	50,000	21,888	71,888
2014	3/1/2014	55,000	19,487	74,487
2015	3/1/2015	60,000	16,793	76,793
2016	3/1/2016	65,000	13,822	78,822
2017	3/1/2017	65,000	10,573	75,573
2018	3/1/2018	70,000	7,322	77,322
2019	3/1/2019	<u>75,000</u>	<u>3,787</u>	<u>78,787</u>
		<u>\$ 620,000</u>	<u>\$ 203,077</u>	<u>\$ 823,077</u>



**Spring Lake Township**

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$810,000 2001 OTTAWA COUNTY WATER SUPPLY SYSTEM REFUNDING BONDS**

March 31, 2008

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<u>Fiscal period</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total requirements</u>
2009	1/1/2009	\$ 60,000	\$ 18,670	\$ 78,670
2010	1/1/2010	60,000	16,300	76,300
2011	1/1/2011	60,000	13,900	73,900
2012	1/1/2012	65,000	11,440	76,440
2013	1/1/2013	65,000	8,677	73,677
2014	1/1/2014	65,000	5,850	70,850
2015	1/1/2015	65,000	2,958	67,958
		<u>\$ 440,000</u>	<u>\$ 77,795</u>	<u>\$ 517,795</u>

**Spring Lake Township**

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -**

**\$1,266,389 2001 OTTAWA COUNTY WATER SUPPLY SYSTEM IMPROVEMENT BONDS**

*March 31, 2008*

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<u><i>Fiscal period</i></u>	<u><i>Maturity date</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total requirements</i></u>
2009	5/1/2008	\$ 44,513	\$ 55,341	\$ 99,854
2010	5/1/2009	48,964	53,179	102,143
2011	5/1/2010	53,415	50,791	104,206
2012	5/1/2011	57,867	48,176	106,043
2013	5/1/2012	62,318	45,352	107,670
2014	5/1/2013	66,769	42,285	109,054
2015	5/1/2014	71,220	38,955	110,175
2016	5/1/2015	77,897	35,281	113,178
2017	5/1/2016	86,800	31,163	117,963
2018	5/1/2017	93,477	26,610	120,087
2019	5/1/2018	102,379	21,603	123,982
2020	5/1/2019	111,282	16,114	127,396
2021	5/1/2020	122,410	10,096	132,506
2022	5/1/2021	<u>133,539</u>	<u>6,944</u>	<u>140,483</u>
		<u>\$ 1,132,850</u>	<u>\$ 481,890</u>	<u>\$ 1,614,740</u>

**Spring Lake Township**

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$2,105,000 2005 GENERAL OBLIGATION LIMITED TAX BONDS**

March 31, 2008

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<u>Fiscal period</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total requirements</u>
2009	6/1/2008	\$ 200,000	\$ 44,513	\$ 244,513
2010	6/1/2009	205,000	38,687	243,687
2011	6/1/2010	210,000	32,463	242,463
2012	6/1/2011	220,000	26,012	246,012
2013	6/1/2012	225,000	19,225	244,225
2014	6/1/2013	235,000	11,919	246,919
2015	6/1/2014	240,000	4,050	244,050
		<u>\$ 1,535,000</u>	<u>\$ 176,869</u>	<u>\$ 1,711,869</u>

*Spring Lake Township*

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$439,937 2005 NORTHWEST OTTAWA WATER SUPPLY SYSTEM  
IMPROVEMENT BONDS**

*March 31, 2008*

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<u><i>Fiscal period</i></u>	<u><i>Maturity date</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total requirements</i></u>
2009	5/1/2008	\$ -	\$ 16,490	\$ 16,490
2010	5/1/2009	24,441	15,770	40,211
2011	5/1/2010	24,441	14,997	39,438
2012	5/1/2011	26,663	14,152	40,815
2013	5/1/2012	28,885	13,194	42,079
2014	5/1/2013	31,107	12,120	43,227
2015	5/1/2014	33,329	10,920	44,249
2016	5/1/2015	35,550	9,593	45,143
2017	5/1/2016	37,772	8,144	45,916
2018	5/1/2017	39,994	6,564	46,558
2019	5/1/2018	42,216	4,853	47,069
2020	5/1/2019	44,438	3,022	47,460
2021	5/1/2020	48,882	1,039	49,921
		<u>\$ 417,718</u>	<u>\$ 130,858</u>	<u>\$ 548,576</u>

**Spring Lake Township**

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$586,971 2005 OTTAWA COUNTY WATER SUPPLY SYSTEM REFUNDING BONDS**

*March 31, 2008*

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<u><i>Fiscal period</i></u>	<u><i>Maturity date</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total requirements</i></u>
2009	1/1/2009	\$ 68,607	\$ 17,609	\$ 86,216
2010	1/1/2010	68,607	15,208	83,815
2011	1/1/2011	66,066	12,807	78,873
2012	1/1/2012	66,066	10,164	76,230
2013	1/1/2013	63,525	7,521	71,046
2014	1/1/2014	63,525	4,980	68,505
2015	1/1/2015	<u>60,984</u>	<u>2,439</u>	<u>63,423</u>
		<u>\$ 457,380</u>	<u>\$ 70,728</u>	<u>\$ 528,108</u>

September 10, 2008

Members of the Township Board  
Spring Lake Township, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spring Lake Township for the year ended March 31, 2008, and have issued our report thereon dated September 10, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated March 13, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Spring Lake Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Spring Lake Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Spring Lake Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of Spring Lake Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Spring Lake Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- Enterprise fund receivable balances, including utility charges and special assessments, were not reconciled to their respective general ledger control accounts in a timely manner. This is a recurring comment.
- Certain Tax Fund disbursements were not made in a timely manner. This is a recurring comment. The required payments were made subsequent to the end of the fiscal year.
- Escrow transactions were not recorded and reconciled to general ledger control accounts in a timely manner.
- Several of the Township's bank accounts were not in accordance with statutory authority because they were held in financial institutions that do not maintain an office in the State of Michigan. The Township moved these deposits to allowable accounts subsequent to the end of the fiscal year.
- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Township Board of Spring Lake Township and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*



September 10, 2008

Members of the Township Board  
Spring Lake Township

In planning and performing our audit of the financial statements of Spring Lake Township for the year ended March 31, 2008, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 10, 2008, on the financial statements of Spring Lake Township.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

*Siegfried Crandall P.C.*



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## **COMMENTS AND RECOMMENDATIONS**

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### ***Tax Fund reconciliations and monitoring***

At the end of the fiscal year, the Township's Tax Fund, an agency fund, held \$262,559 that should have been distributed to other governmental units and the General Fund. State statutes require the Township to remit taxes collected on behalf of other units within certain time periods.

The Township should develop policies and procedures to ensure that all property tax disbursements are made in a timely manner. The cash balance of the Tax Fund should be reconciled monthly and agreed to the liabilities of the fund, that is, the amounts due to other governmental units and other funds. In addition, monitoring procedures could be implemented to verify that these procedures are being performed. The Finance Director could prepare a report that identifies all taxes collected and paid, by taxing authority, which would be reviewed and approved by the Manager prior to the annual settlement with the County.

Management reconciled the cash balance of the Tax Fund, subsequent to the end of the fiscal year, and made the necessary disbursements to the other governmental units and the General Fund of the Township.

### ***Reconciliation of enterprise fund receivable balances***

Enterprise fund receivable balances, including utility charges and special assessments, were not reconciled to their respective general ledger control accounts in a timely manner.

We recommend the reconciliation of receivable balances to the general ledger control accounts on a monthly basis. This procedure must be performed to ensure that accurate information is available for monitoring financial operations of the sewer and water funds.

### ***Accounting for developer escrows***

The Township has implemented an escrow policy whereby developers are required to make deposits to cover costs incurred by the Township that relate to their developments. We commend the Board for implementing this policy as it will likely prevent the Township from incurring unnecessary costs. However, these transactions were not recorded properly.

We recommend that the Township implement procedures to account for the developer escrow deposits including recording the receipt of the deposit and payment of all costs incurred through an agency fund. It is also important to monitor the escrow balances to ensure that developers are paying for the costs of their projects.

### ***Performance of a risk assessment***

A greater emphasis is now being placed on the quality of internal control systems of governmental units. Due to financial reporting scandals, users of governmental financial statements now have heightened expectations for controls over financial reporting because they realize that the reliability of financial reporting is directly related to the sufficiency and effectiveness of an organization's internal control systems.

We recommend that management review and evaluate tools that are available from the Committee of Sponsoring Organizations (COSO). These tools can be used to improve the Township's internal control systems.

We specifically recommend that the Township perform a risk assessment. COSO considers a risk assessment to be one the five essential components of an effective system. A risk assessment involves the identification and assessment of a variety of risks associated with an organization's financial reporting objectives. Once risks are identified, they should be evaluated for significance and a determination can be made regarding how the risks should be managed through a variety of control activities.

The performance of a risk assessment, on an annual basis, would be an excellent first step in developing and maintaining effective internal control systems.

### ***Written policies and procedures***

Many of the Township's policies and procedures, especially those related to the accounting function, have not been formally documented.

We recommend that the Township develop a written accounting policies and procedures manual. Committing the Township's policies and procedures to writing would provide several benefits, including:

- clarification of responsibilities and segregation of duties
- communication of appropriate systems of internal controls
- improve continuity at the time of personnel changes